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CORPORATION FILE

CONDENSED BALANCE SHEET and PROFIT and LOSS-SURPLUS

WEINBERGER DRUG STORES, INC.
AND SUBSIDIARIES
CLEVELAND

FOR THE YEAR ENDED
DECEMBER THIRTY-FIRST
NINETEEN THIRTY-FOUR

CERTIFICATE OF AUDITORS

February 4, 1935.

Weinberger Drug Stores, Inc.,
Cleveland

We have made an examination of the consolidated balance sheet of WEINBERGER DRUG STORES, INC., and SUBSIDIARY, SUPERIOR LABORATORIES, INC., as at December 31, 1934. In connection therewith we examined or tested accounting records of the Companies and other supporting evidence and obtained information and explanations from officers and employees of the Companies, but we did not make an audit of the cash and other transactions for the year.

A subsidiary, Averbeck Drug Stores, Inc., was dissolved during the latter part of 1934 and its assets and leases transferred to the parent Company. The operating results of that company have been combined with those of the parent Company.

The merchandise inventories, with the exception of approximately $14,000.00, are based upon physical inventories taken and priced under the direction of the management and certified to us by officials of the Companies as to quantities, salability and prices used, the latter as representing estimated cost or lower. We made tests of the mathematical accuracy of computations and method of pricing and also tested quantities in the warehouse and four of the stores.

During the year 1934 the principal items of permanent assets were reclassified as between furniture and fixtures and leasehold improvements and the reserves for depreciation were adjusted to conform with report of the internal revenue agent. The net charge of $9,428.87 resulting therefrom has been charged against operations. Allowance for depreciation for the year 1934 amounted to $26,919.44 as compared with $25,074.66 for the preceding year. The provision for 1934 was based upon 8% for furniture and fixtures and the life of leases for leasehold improvements. In prior years a composite rate of 10% was used.

During the year 1934 the Company purchased 988 shares of its capital stock and sold 3,535 shares in December at the approximate cost of $10.69 a share.

In our opinion, based upon our examination, the accompanying balance sheet fairly presents the consolidated position of the Companies at December 31, 1934, and has been prepared in accordance with accepted accounting principles, and on a basis consistent with the preceding year with the exception of the reserve for depreciation as herein commented upon.

ERNST & ERNST,
Certified Public Accountants.

TO THE SHAREHOLDERS:—

In behalf of the Board of Directors, I present herewith the annual report for 1934, based upon audit of our books by Messrs. Ernst & Ernst.

The net profit for the year after deducting all charges including depreciation and provision for Federal Income Tax, but before deducting $13,236.81 representing charges applicable to prior years, amounted to $125,644.32, equivalent to $1.66 per share as compared to $1.11 per share for 1933.

During the latter part of 1934 the company opened stores in Wooster, Canton and Warren, Ohio, the store in Canton being one of the largest stores in Ohio devoted to the sale of drugs and sundries. A comparison of current assets and current liabilities as of December 31, 1933 and December 31, 1934,, follows:

CURRENT ASSETS	Dec. 31, 1933	Dec. 31, 1934
Cash	$ 73,082.92	$ 79,028.42
Scrip	5,460.00	2,996.00
Accounts Receivable	17,792.98	29,434.06
Inventory	583,177.59	722,111.85
Cash surrender value of life insurance	6,902.63	9,636.27
TOTAL CURRENT ASSETS	$686.416.12	$ 843,206.60
CURRENT LIABILITIES		
Accounts Payable	$127,211.65	$ 226,630.67
Accrued Taxes	18,326.69	27,304.27
Dividend Payable	18,154.50	17,907.50
TOTAL CURRENT LIABILITIES	$163,692.84	$ 271,842.44
NET CURRENT ASSETS	$522,723.28	$ 571,364.16

Again as in previous years, the progress made has been greatly influenced by the active assistance rendered by the Company's many friends and shareholders and the policies that have created this confidence will be vigorously maintained.

Very truly yours,
ADOLPH WEINBERGER,
President.

CONDENSED BALANCE SHEET
WEINBERGER DRUG STORES, INC., AND SUBSIDIARY, CLEVELAND
As of the close of business December 31, 1934

ASSETS

CURRENT			
Cash on hand and on deposit		$ 79,028.42	
Scrip—issued by cities in Ohio and Cuyahoga County		2,996.00	
Customers' accounts receivable and creditors' debit balances	$ 30,509.13		
Less: Reserve	1,075.07	29,434.06	
Inventory (at estimated cost or lower as certified by management)		722,111.85	
Cash surrender value of life insurance		9,636.27	$ 843,206.60
OTHER ASSETS			
Treasurery stock (468 shares at cost—indicated market value $6,084.00)		$ 4,453.26	
Notes receivable—secured by Company's capital stock:			
Officer	$ 7,500.00		
Employees	7,524.29	15,024.29	
Deposits in closed banks	$ 27,647.30		
Less: Reserve	22,239.34	5,407.96	
Sundry deposits, personal and miscellaneous accounts receivable, etc.:			
Officers	$ 6,725.70		
Other	23,231.13	29,956.83	54,842.34
PERMANENT (at Cost)			
Furniture and fixtures	$193,462.77		
Leasehold Improvements	78,867.08	$272,329.85	
Less: Reserve for Depreciation		100,494.44	171,835.41
PATENTS AND TRADE MARKS (Nominal Value)			1.00
DEFERRED			
Unexpired insurance premiums, prepaid rent, etc.			23,886.95
			$1,093,772.30

LIABILITIES

CURRENT			
Accounts payable for purchases, expenses, etc.		$190,488.25	
Unpaid pay roll and bonuses		36,142.42	
Accrued taxes		27,304.27	
Dividend payable January 2, 1935		17,907.50	$ 271,842.44
NOMINAL			
Capital stock (without par value)			
Authorized 100,000 shares			
Outstanding 75,633 shares			
Stated Capital		$546,000.00	
Capital Surplus	$ 81,951.70		
Profit and Loss—Surplus	193,978.16	275,929.86	821,929.86
			$1,093,772,30

(NOTE) This Balance Sheet is subject to the comments submitted herewith.

PROFIT AND LOSS—SURPLUS
WEINBERGER DRUG STORES, INC., AND SUBSIDIARIES, CLEVELAND
For the year ended December 31, 1934

BALANCE—December 31, 1933—as shown by audit report			$ 153,200.65
ADDITION			
Summary of earnings for the year ended December 31, 1934:			
Gross Profit		$970,082.19	
Less: Selling, general and administrative expense		812,829.21	
OPERATING PROFIT		$157,252.98	
Other deductions—Net		10,758.66	
PROFIT BEFORE FEDERAL INCOME TAX AND OTHER CHARGES		$146,494.32	
Provision for Federal Income Tax		20,850.00	
PROFIT BEFORE CHARGES APPLICABLE TO PRIOR YEARS		$125,644.32	
Adjustment of depreciation reserves for prior years to conform with Internal Revenue Agent's report	$9,428.87		
Adjustment of Federal Income Tax—prior years	3,807.94	13,236.81	
NET PROFIT			$112,407.51
DEDUCTION			
Cash dividends paid or provided for:—$1.00 a share			71,630.00
NET ADDITION			40,777.51
BALANCE DECEMBER 31, 1934—AS SHOWN BY ANNEXED BALANCE SHEET			$ 193,978.16

(NOTE) Depreciation provision for current year, in the amount of $26,919.44, is included in the above expenses.